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1948
Annual Report
Edison Brothers Stores, Inc.

*Largest Exclusive Retailers
of Women's Shoes
in America*

OPERATING

CHANDLER'S

BAKER'S

LEED'S

Burt's

BOARDS

03:4.33

1-48

SHOE STORES

Corp. File



131-133 SOUTH STATE STREET

*...our newest and largest store
Chicago, Ill.*

Edison Brothers Stores, Inc.

315 WASHINGTON AVENUE • EXECUTIVE OFFICES • ST. LOUIS, MISSOURI

Founders

Harry Edison President
Samuel B. Edison . . . Vice-President and Secretary
Mark A. Edison . . . Vice-President and Treasurer
Irving Edison Vice-President
Simon Edison Vice-President

ADDITIONAL OFFICERS

Joseph M. Arenson Vice-President
Alfred T. Leimbach Vice-President
Louis Liebson Vice-President
Jack Westbrook Vice-President
Sidney A. Levinson Vice-President
Frank P. Ricca Vice-President
Roy W. Oscarson Vice-President

DIRECTORS

Harry Edison St. Louis	Irving Edison St. Louis
Samuel B. Edison . . . St. Louis	Simon Edison St. Louis
Mark A. Edison St. Louis	George Frankenthaler . . New York

+

+

+

TRANSFER AGENT
Bankers Trust Company
New York City

REGISTRAR
The Chase National Bank
New York City

ANNUAL MEETING

The annual meeting of stockholders will be held in the office of the Company on April 25, 1949. A notice of the meeting with a proxy statement will be mailed to holders of common stock on or about April 10, 1949, at which time proxies will be requested by the Management.

Simplified Statement of Operation

we received:

	1948	1947
For shoes; including house shoes, sandals, and rubber footwear.....	\$60,675,506	\$58,425,352
For hosiery, handbags and accessories.....	14,351,264	12,513,354
Total income received.....	75,026,770	\$70,938,706

costs and expenses:

Merchandise, supplies, rentals, services, advertising, etc.....	58,267,463	55,035,307
Salaries and wages.....	11,506,526	10,384,061
Depreciation and amortization charges.....	527,550	397,601
Federal, state and local taxes.....	2,198,924	2,304,590
Total costs and expenses.....	72,500,463	68,121,559
Earnings for the year.....	2,526,307	2,817,147
Dividends paid to our stockholders.....	1,537,177	1,644,161
Balance retained in the business for expansion, payment of debts and operating requirements	\$ 989,130	\$ 1,172,986
In relation to sales, our earnings were.....	3.37%	3.97%
Earnings per common share outstanding.....	\$2.67	\$3.02
Dividends per share.....	1.50	1.62½

The President's Message

TO THE STOCKHOLDERS OF

Edison Brothers Stores, Inc.

Two years ago your company began gearing its operations to a \$75,000,000 annual sales volume.

This goal was exceeded in 1948.

Nineteen new stores were opened during the year, including three units relocated. Two old stores were closed. The 202 stores in operation at the close of the year are located in 112 cities. Their strategic location by states is indicated on page 13 of this report.

The annual report of our accountants, S. D. Leidesdorf & Co., is included in this report beginning on page 15.

NET EARNINGS

Net income for the year amounted to \$2,526,307. This compares with \$2,817,147 for the previous year. Despite the increased volume of sales for 1948, net income is lower. In relation to sales, net income shows a decline from 3.97% for 1947 to 3.37% in 1948.

Net earnings per share of common stock outstanding amounted to \$2.67 as compared with \$3.02 per share in 1947.

The decline in net earnings is due to increased operating costs.

DIVIDENDS

In addition to \$272,903 dividends paid on the outstanding 4¼% preferred stock, quarterly dividends of 37½¢ each paid on the outstanding common stock aggregated \$1,264,274.

The first quarterly dividend for 1949 of 30¢ per share on common stock reflects the feeling of your Board of Directors toward conserving working capital.

Substantial funds will be needed for continued expansion and to modernize older units. The uncertainties regarding corporate income tax rates, wage and salary levels and increased operating costs, were also considered.

As in the past, your Board of Directors will continue to give consideration to the payment of an extra year-end dividend whenever increased earnings warrant.



FINANCIAL POSITION

The working capital of your company was augmented by the sale of \$1,750,000 additional sinking fund debentures as of April 22, 1948.

This financing provided additional capital funds deemed necessary in connection with the company's expansion program and for general corporate purposes.

The consolidated balance sheet included in this report again shows your company in a sound financial position. It reflects a current ratio of 4.25 as compared with 4.38 on December 31, 1947. Cash alone substantially exceeded total current liabilities. The company had no bank loans.

Future financial requirements are continuously under review by your Board of Directors.

Under the terms of the preferred stock issue, a sinking fund sufficient to retire 1300 shares each year commencing in 1949 is required. This requirement has been anticipated by the purchase of 1580 shares in the open market.

CAPITAL INVESTMENTS

The 1948 expansion program included the construction and opening of 16 new stores and the relocation of 3 old units. In addition, 12 stores were substantially re-modeled and others were modernized.

Net investment during 1948 on account of construction and new equipment, after deducting write-offs and accumulated depreciation reserves applicable thereto, amounted to \$2,335,800.

Depreciation reserves, particularly those based upon pre-war costs of construction and equipment, are inadequate to provide for the replacement of such assets at prevailing cost levels. Expenditures in excess of depreciation reserves set aside for this purpose must, therefore, be provided for out of capital.

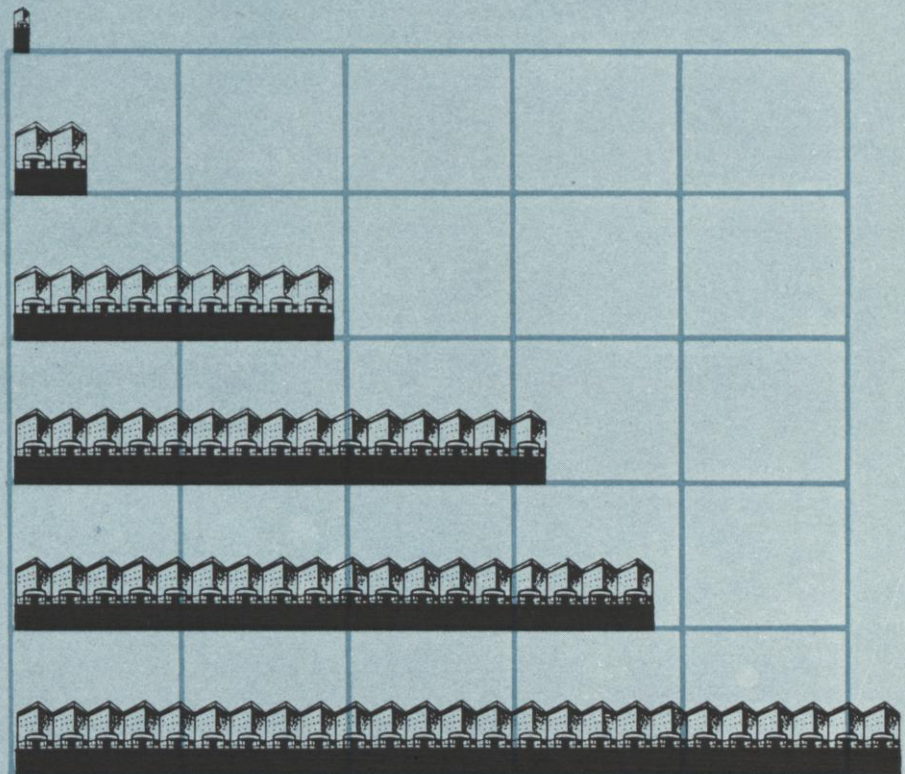
Growth

IN

Stores



1 STORE 40 STORES 80 STORES 120 STORES 180 STORES 202 STORES



SALES HIGHEST IN HISTORY

The record volume of net sales during 1948 in the amount of \$75,026,770 represents an increase of 5.76% compared with \$70,938,706 for the previous year. New stores contributed substantially to this increase in sales although a high average volume per store was maintained.

Your company's merchandising policy, based upon offering the utmost in values at lowest cost to the greatest number, places it in a favorable position to compete. In the face of rising costs during the year, some prices were reduced in order to maintain the highest possible sales volume.

During 1949 potential consumer purchasing power will still be high. There is, however, an increasing consumer resistance to high prices which indicates that the days of easy selling are over. Retail business will continue to be highly competitive and it will take aggressive merchandising and efficient management to capture a larger share of consumer spending.



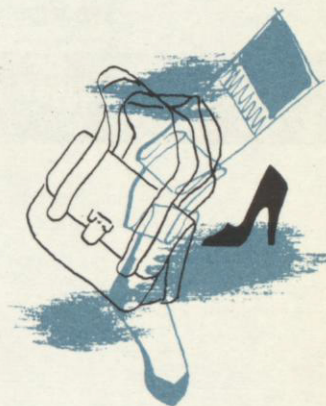
Shoes, Handbags, Hosiery

The total sales of hosiery, handbags and accessories amounted to \$14,351,264. This represents 23.7% of shoe sales, which totaled \$60,675,506. Predictions of increased sales of hosiery, handbags and accessories during 1948 were fulfilled as an increase of \$1,837,908 was noted in these items of the total over-all sales increase of \$4,088,063.

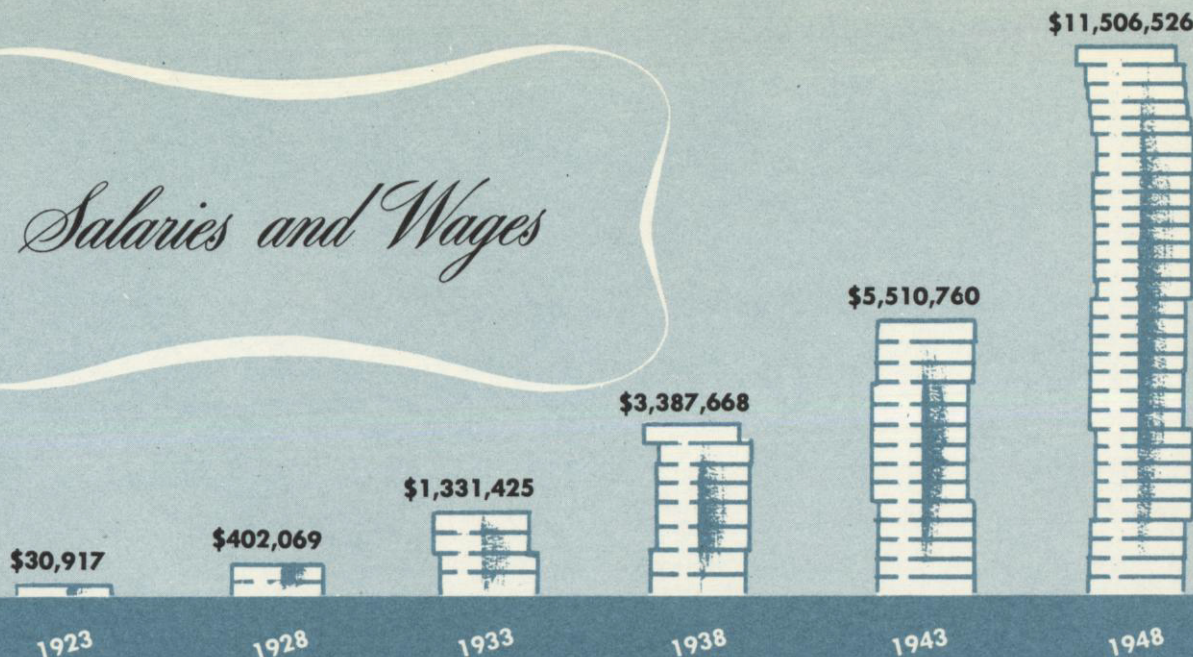
Women's nylon hosiery is now available in sufficient quantity to meet consumer demand. Wholesale prices declined substantially during the year with retail prices being correspondingly reduced.

These lowered prices do not necessarily mean lower dollar volume. With adequate inventories, it is expected that lower retail prices now in effect in our stores will result in a substantial increase in unit sales.

The handbag operations have been expanded with emphasis upon offering greater values at popular prices and by giving utmost attention to the styling of handbag and shoe ensembles. Consequently, handbag and accessory sales volume should continue upward.



Salaries and Wages



OUR EMPLOYEES

An important phase of Edison Brothers personnel policy is that of promoting and advancing employees from the ranks to higher positions as they become available. The entire staff of supervisory executives has been developed in accordance with this policy.

There are now 23 regional managers averaging 19 years of service. Three of them are Vice-Presidents of the company. Each of these men is the responsible head of a group of stores.

The company's contribution to the employee retirement fund and group insurance amounted to approximately \$230,000. While the employees contribute toward the cost of the group insurance plan, the retirement fund is entirely financed by the company. Christmas bonuses for all full time employees aggregated \$236,000.

Increased operating costs are largely due to increased payroll costs. In 1948 salaries and wages amounted to \$11,506,526. This was an increase of 11% as compared with \$10,384,061 for 1947. Approximately 3,600 full time employees are now associated with the company. Employment has become more stable and the rate of employee turnover is noticeably approaching normal levels.



COMMUNITY RELATIONS

Throughout the year, we emphasized our relationships with the people in the 112 communities in which our 202 stores are located. We continue to give generous financial support to meritorious local endeavors because we believe in accepting our share of community responsibility. Good citizenship combines with good business when our store managers and employees participate in civic and charitable endeavors.

Good public relations cannot operate in a vacuum. Our people and our stores are part of the progress and advancement of their local communities.

Because these principles are a part of the basic Edison Brothers philosophy, we believe in carrying them out.

The FORTUNE MAGAZINE story of EDISON BROTHERS appeared in the February, 1948, issue of that magazine. During the entire year, continued interest was manifested in the article and its detailed description of the history and operation of "America's largest exclusive retailers of women's shoes."



NEW STORES AND LEASES

Your company's projected expansion program includes the opening of 12 additional new stores during 1949.

Expansion in future years will be predicated upon prudent evaluation of locations and will also be influenced by prevailing economic conditions.

Construction costs continue at a high level. However, there are definite indications that costs are now leveling off and lower costs may be expected.





REGIONAL MANAGERS ATTENDING ANNUAL CONFERENCE

STORE DEVELOPMENT

The opening of the Chandler's store at 131-33 South State Street, in Chicago, was significant in many ways and created national interest.

It served as a milestone in company history, marking the increase in stores to more than 200. This store is not only the largest unit measured in floor area and anticipated sales volume, it also represents an operation in which the various lines of footwear, hosiery and handbags are departmentalized on three floors.

While this new store opened its doors only a short period before the close of the year, on November 26, the sales volume of this major unit already experienced indicates a profitable operation.

A pictorial display of the new stores opened in 1948 appears on pages 12 and 13.

Continued attention is given to the modernization and development of older stores. The "new look" in store design, which includes the structural appearance of store fronts as well as interior decoration, is necessary to bring them up to maximum productivity.

ADDITIONAL OFFICERS

On December 31, 1948, your Board of Directors elected Jack Westbrook, Sidney A. Levinson, Frank P. Ricca and Roy W. Oscarson, Vice-Presidents. Each of these officers merited promotion through many years of loyal service to the company. Their experience and executive ability fully qualify them for the added responsibilities.



EMPLOYEES STOCK PURCHASE PLAN

Through an Employee Stock Purchase Plan adopted in 1946, 28,500 shares of unissued stock were offered to 45 key employees at \$25.00 per share. The decline in the market price of common stock resulted in an amendment to this plan by the Board of Directors as of December 7, 1948. Under the revised plan, which will be submitted for ratification at the annual meeting of stockholders, the purchase price of 80% of the shares purchasable under each contract is reduced to \$13.25 a share.

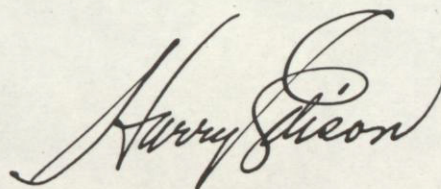
IN CLOSING

Your company has a record of a quarter of a century of progress with an integrated organization well seasoned and experienced to guide its past successful policies toward continued progress. Close association and good relationship with our manufacturing resources has also helped support the basic principle of our business; to provide the utmost quality at the lowest price to the greatest number. With such a policy we have established and maintained our leadership in our particular field.

Appreciating the wholehearted efforts of our officers, executives and all employees, we again face the problems and uncertainties of the future with optimism, courage and confidence, and feel that your company will again experience another year of favorable operations.

Respectfully submitted,

FEBRUARY 28, 1949
ST. LOUIS, MISSOURI

A handwritten signature in cursive script, reading "Harry Gibson". The signature is written in dark ink and is positioned above the title "President".

President

Edison Brothers Stores, Inc.

LEED'S
Quality Craft
SHOES

Chandler's

Baker's Shoes

LEEDS
SHOES

LEED'S Shoes

Baker's
Shoes

Chandler's Shoes

BURT'S SHOES

CHANDLER'S

CHICAGO
State Street
CHICAGO
Michigan Boulevard
OAK PARK
OAKLAND
STOCKTON

LEED'S

LOS ANGELES
South Broadway
LOS ANGELES
Crenshaw Boulevard
SALEM
SAN FRANCISCO
SEATTLE

BAKER'S

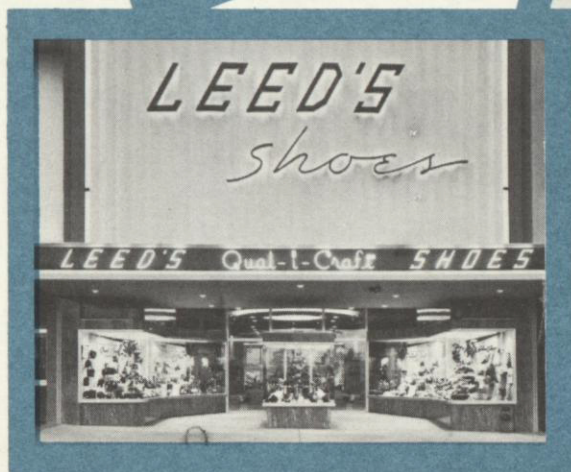
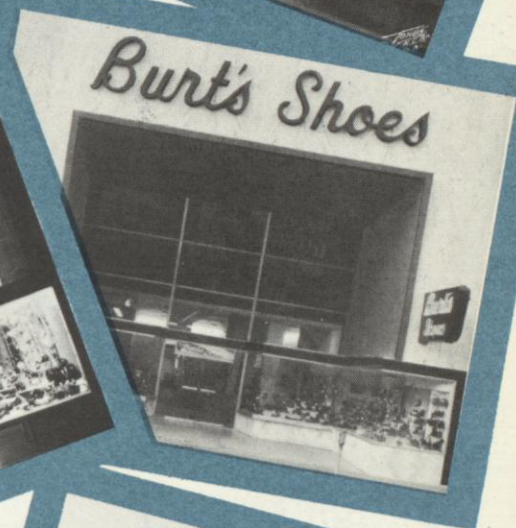
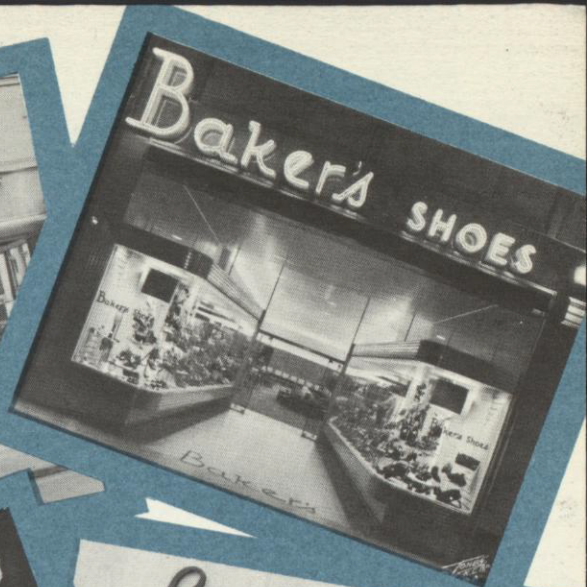
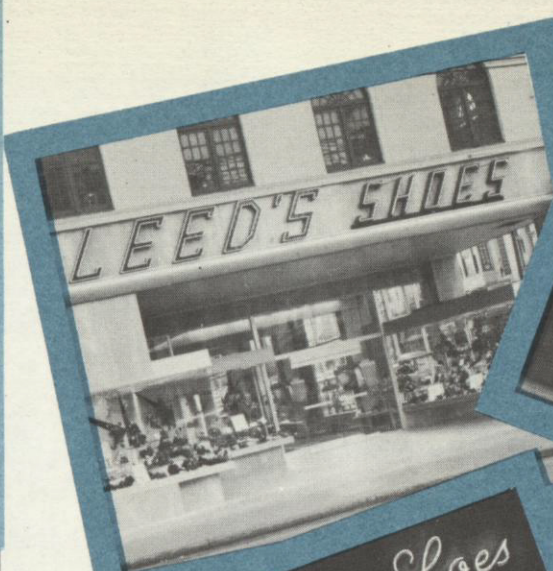
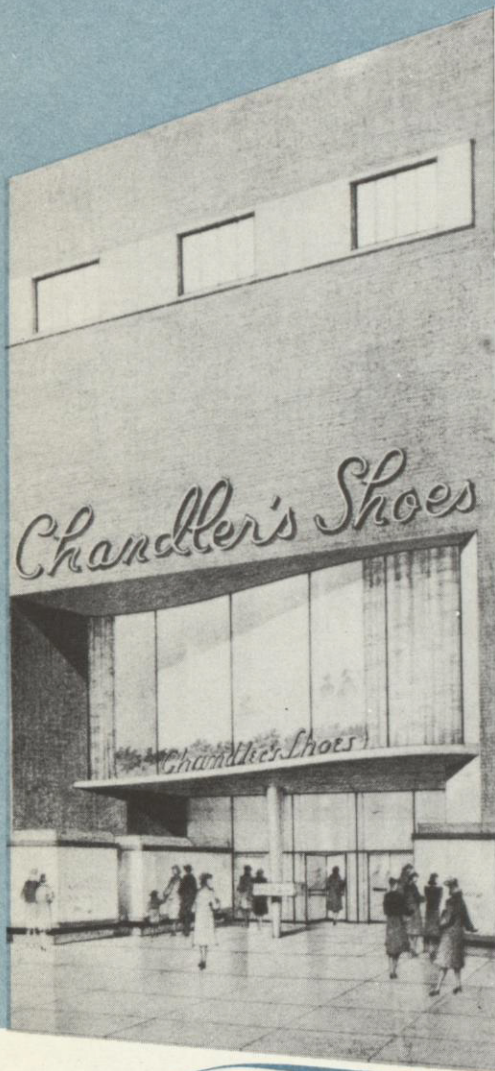
CHATTANOOGA
EVANSTON
LAKE CHARLES
NASHVILLE

BURT'S

FORT WORTH
SACRAMENTO

Chandler's
Shoes

*Sixteen
New Stores
in 1948*



202

STORES SERVING 112 CITIES IN 34 STATES AND THE DISTRICT OF COLUMBIA

ALABAMA 7
ARIZONA 2
ARKANSAS 2
CALIFORNIA 52
COLORADO 3
CONNECTICUT 1
DISTRICT OF COLUMBIA 1
FLORIDA 5
GEORGIA 4

ILLINOIS 10
INDIANA 4
IOWA 4
KANSAS 2
KENTUCKY 2
LOUISIANA 10
MICHIGAN 10
MINNESOTA 5
MISSISSIPPI 1

MISSOURI 5
NEBRASKA 2
NEW JERSEY 1
NEW YORK 3
NORTH CAROLINA 2
OHIO 11
OKLAHOMA 3
OREGON 4
PENNSYLVANIA 2

SOUTH DAKOTA 1
TENNESSEE 11
TEXAS 18
UTAH 3
VIRGINIA 2
WASHINGTON 5
WEST VIRGINIA 1
WISCONSIN 3

National Advertising

CHARM

HARPER'S BAZAAR

GOOD HOUSEKEEPING

SEVENTEEN

VOGUE

GOOD HOUSEKEEPING

National advertising campaigns to promote the exclusive brand names owned by Edison Brothers Stores, Inc. were carried out during the year. Advertisements appeared in such magazines as: GOOD HOUSEKEEPING, VOGUE, CHARM and HARPER'S BAZAAR.

This nation-wide promotion was supplemented by intensive advertising in local newspapers in all cities served by Edison Brothers stores.

Financial Statements

S. D. LEIDESDORF & CO.
CERTIFIED PUBLIC ACCOUNTANTS
SUITE 1100 CONTINENTAL BUILDING
ST. LOUIS

Accountants' Report

Board of Directors
Edison Brothers Stores, Inc.
St. Louis, Missouri

We have examined the consolidated balance sheet of EDISON BROTHERS STORES, INC. as at December 31, 1948 and the related summary of consolidated income and of surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the related summary of consolidated income and of surplus together with the notes to financial statements present fairly the consolidated financial position of EDISON BROTHERS STORES, INC. at December 31, 1948 and the result of its consolidated operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

St. Louis, Missouri,
February 21, 1949.

S. D. Leidesdorf & Co.

Edison Brothers

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash on hand and demand deposits	\$ 7,012,946
United States Government Securities at cost and accrued interest (quoted market or redemption value, \$258,100)	269,843
Notes receivable, vendors' debit balances, etc.	613,682
Merchandise inventories at the lower of cost or market —	
On hand	\$10,033,126
In transit	<u>292,674</u>
	<u>10,325,800</u>

TOTAL CURRENT ASSETS 18,222,271

OTHER ASSETS 65,231

FIXED ASSETS:

	COST	RESERVE	NET
Improved real estate and real estate equities; partially pledged to secure mortgage—per contra	\$ 1,228,853	\$ 69,128	\$1,159,725
Store fixtures and office equipment	851,538	271,209	580,329
Improvements to leased premises	8,233,090	2,566,131	5,666,959
Leasehold investments	121,300	29,185	92,115
	<u>\$10,434,781</u>	<u>\$2,935,653</u>	<u>7,499,128</u>

DEFERRED CHARGES 246,560

\$26,033,190



(a Delaware corporation)
AND SUBSIDIARY COMPANIES

AS AT DECEMBER 31, 1948

LIABILITIES

CURRENT LIABILITIES:

Accounts payable for merchandise	\$ 828,165
Expense items payable or accrued, including \$166,500 of current debenture and real estate mortgage installments	1,878,640
Funds collected or withheld for Governmental Agencies	642,018
Federal income taxes, estimated, less \$800,900 of United States Treasury Notes acquired for prepayment (Note A)	939,100
TOTAL CURRENT LIABILITIES	4,287,923

SINKING FUND DEBENTURES (Note B):

Series A, 2½%, due January 15, 1959	\$1,756,000	
Less—Sinking Fund payment due January 14, 1949	77,500	\$1,678,500
Series B, 3½%, due January 15, 1963	1,750,000	
Less—Sinking Fund payment due January 14, 1949	71,500	1,678,500
		3,357,000

REAL ESTATE MORTGAGE NOTE, 4%, PAYABLE IN INSTALLMENTS, SECURED BY REAL ESTATE—Per Contra

Less—Minimum payment due July 1, 1949	215,000	
	17,500	197,500

RESERVE FOR RISKS NOT COVERED BY INSURANCE

(Losses of less than \$10,000 at each retail unit)	358,209
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CAPITAL STOCK AND SURPLUS:

Preferred shares, par value \$100 per share —		
Authorized — 65,000 shares		
Outstanding — 63,420 shares, 4½% cumulative (Note C)	6,342,000	
Common shares, par value \$1 per share —		
Authorized — 1,200,000 shares		
Outstanding — 843,247 shares (Note D)	843,247	
Capital surplus	1,093,243	
Earned surplus	9,554,068	17,832,558
		<u>26,033,190</u>

Edison Brothers Stores, Inc.

NOTES TO FINANCIAL STATEMENTS

- (A) The Federal income and excess profits tax returns of the companies have been subjected to field examination by the Bureau of Internal Revenue through the year 1945. All known liability has been discharged to that date.

- (B) Additional Sinking Fund Debentures aggregating \$1,750,000 were sold at par during the year. In connection therewith, the previously issued Debentures were designated Series A and the newly issued as Series B.

Future annual fixed Sinking Fund requirements due January 14 of each year range from \$77,500 to \$83,750 until maturity in 1959 with respect to Series A, and from \$71,500 to \$87,500 until maturity in 1963 with respect to Series B.

Contingent Sinking Fund payments beginning July 14, 1950 and each July 14 thereafter are also provided. Such contingent Sinking Fund is applicable one-half to Series A and one-half to Series B, and is to be computed at 10% of consolidated net profit for the preceding fiscal year reduced by fixed Sinking Fund payments, but in no event to exceed \$50,000.

- (C) The Preferred Shares are redeemable at the option of the Board of Directors at any time in whole, or from time to time in part, at \$107 before July 1, 1951; at \$106 before July 1, 1953; at \$105 before July 1, 1955; and at \$104 thereafter. Upon voluntary liquidation, the shares are entitled to be paid before any distribution to the holders of the Common Shares to the amounts to which they would be entitled as set forth in the above plus dividends accrued and unpaid thereon whether or not earned or declared. Upon involuntary liquidation the shares are entitled to \$100 per share and dividends as set forth above.

Beginning on March 30, 1949 and each year thereafter so long as any of the present Series shall be outstanding, the company is required to set aside in a Sinking Fund sufficient to purchase or redeem 1,300 shares thereof at \$104.

The company has acquired 1,580 shares at a cost of \$142,940 which may be applied to future Sinking Fund requirements.

- (D) The Trust Indenture as modified pursuant to which the Debentures were issued provides certain restrictions on dividend payments and purchase or redemption of capital shares. The effect of this restriction is that \$2,342,493 of surplus is available for dividends and such other purposes at December 31, 1948.

The terms under which the Preferred Shares were issued also place certain restrictions on the payment of dividends on, or the purchase or redemption of capital shares junior to the Preferred Shares. Under this restriction \$4,695,220 of surplus is available for Common Share dividends and such other purposes at December 31, 1948.

Edison Brothers Stores, Inc.

SUMMARY OF INCOME AND SURPLUS ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 1948

NET SALES		\$75,026,770
COST OF GOODS SOLD AND STORE OPERATING EXPENSES, EXCLUSIVE OF DEPRECIATION AND AMORTIZATION EXPENSE		66,969,098
		<u>8,057,672</u>
DEDUCT:		
Administration and general expenses	\$2,850,610	
Depreciation of store fixtures and equipment and amortization of improvements to leased premises	527,550	
Other expenses, net	<u>382,567</u>	3,760,727
		<u>4,296,945</u>
PROVISION FOR TAXES ON INCOME:		
Federal taxes on income	1,666,888	
State taxes based on income	<u>103,750</u>	1,770,638
EARNINGS TRANSFERRED TO SURPLUS		<u>\$ 2,526,307</u>
EARNED SURPLUS:		
Balance, December 31, 1947		8,564,939
		<u>11,091,245</u>
Dividends paid on —		
Preferred shares	\$ 272,903	
Common shares	<u>1,264,274</u>	1,537,177
BALANCE, DECEMBER 31, 1948		<u><u>\$ 9,554,068</u></u>
CAPITAL SURPLUS:		
Balance, December 31, 1947		\$ 1,056,292
Add —		
Premium on 943 common capital shares sold under an employee's stock purchase plan		22,374
Excess of the par value over cost of 1,430 preferred shares pur- chased for future sinking fund requirements		<u>14,577</u>
BALANCE, DECEMBER 31, 1948		<u><u>\$ 1,093,243</u></u>

Edison Brothers Stores, Inc.

Record of Progress

FISCAL YEAR	STORES END OF YEAR	NET SALES	SALARIES AND WAGES	TAXES PAID OR ACCRUED	NET INCOME	EARNINGS PER COMMON SHARE (4)
1923	1	\$ 282,949	\$ 30,917	\$ 176	\$ 22,907	\$
1924	3	548,569	48,612	225	33,362	
1925	6	878,057	95,807	881	56,796	
1926 (1)	8	1,440,785	167,347	6,262	81,046	
1927	11	2,186,477	229,828	17,059	87,063	
1928 (2)	17	3,157,115	402,069	36,493	215,191	
1929	34	3,778,460	531,758	42,515	230,223	0.29
1930	42	4,912,247	632,291	40,458	173,854	0.18
1931	50	6,423,307	789,759	31,208	30,420	(0.03)
1932	63	8,017,960	1,018,624	26,412	112,528	0.10
1933 (3)	75	10,189,048	1,331,425	126,579	484,186	0.69
1934	85	14,125,387	1,927,266	136,285	567,961	0.82
1935	92	16,295,595	2,233,601	150,217	609,058	0.87
1936	102	19,689,865	2,679,398	292,614	796,756	1.05
1937	121	23,764,677	3,370,557	349,354	714,782	0.87
1938	123	24,205,239	3,387,668	397,538	919,323	1.10
1939	131	24,911,899	3,481,150	408,274	897,055	1.07
1940	142	26,481,080	3,630,088	643,145	1,041,223	1.26
1941	162	33,613,756	4,455,079	1,521,757	1,305,680	1.59
1942	168	45,952,208	5,912,048	3,486,191	1,249,024	1.44
1943	166	39,775,724	5,510,760	2,345,193	1,130,781	1.29
1944	169	44,542,663	6,245,562	2,335,944	1,091,825	1.24
1945	170	53,215,144	7,533,392	3,787,177	1,360,520	1.39
1946	180	65,670,766	9,408,814	2,288,188	3,182,178	3.53
1947	188	70,938,706	10,384,061	2,304,590	2,817,147	3.02
1948	202	75,026,770	11,506,526	2,198,924	2,526,307	2.67

(1) Partnership incorporated August 2, 1926 — Edison Brothers Company.

(2) Thirteen months ended January 31, 1929. Edison Brothers Stores, Inc., incorporated March 13, 1929.

(3) Eleven months period. Changed from fiscal year ended January 31 to calendar year.

(4) Based upon number of common shares outstanding at end of each year except that retroactive effect was given to the 3 for 1 split-up as of March 1, 1937, and the 2 for 1 split-up effective January 28, 1946.

Sales volume declined in 1943 on account of shoe rationing which went into effect February 8, 1943, and continued until October 30, 1945.

**WE RECOGNIZE
OUR RESPONSIBILITY . . .**

"to satisfy millions of customers by supplying the best shoe values at the lowest possible cost, with courtesy and efficiency.

"to concern ourselves with the welfare and prosperity of our thousands of employes.

"to secure a fair return for our stockholders and investors.

"to integrate all of these for the common good."

EDISON BROTHERS STORES, INC.

315 WASHINGTON AVENUE • ST. LOUIS 2, MISSOURI